

NSC

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4 August 1953

Increasing Soviet Potential for Undermining Finnish Stability:

I. Soviet capabilities for disrupting Finland's economic and political stability have seriously increased.

A. Finnish economic situation has deteriorated.

B. USSR has become principal market for Finnish exports.

II. Finland's economic deterioration due to two basic factors.

A. The world market for Finland's traditional exports of wood products has been sagging.

B. High production costs have made it difficult for Finnish products to compete in Western markets.

III. Finland has been forced to increase markedly its trade with the Soviet bloc.

3 A. Finnish exports to bloc expected to reach 34

percent in 1953 compared to 23 percent in 1952.

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B. Finnish exports to the bloc only 16 percent

between 1947-1951.

IV. The USSR would exploit its favorable economic position to create a crisis.

A. It could threaten to cancel its trade agreements.

B. It might refuse to accept Finnish goods or to make agreed deliveries.

V. Any solution to this problem is complicated by several factors:

A. Finland is committed to maintain approximately its 1953 trade with the orbit through 1955.

B. The delicate balance of Soviet-Finnish relations militates against any remedial steps by the United States.

C. Finland's political parties cannot agree on any practical solution.

VI. An American inter-agency working group has failed to devise a program for halting Finland's growing economic dependence on the Soviet Bloc.

A. The group particularly studied the possibility of increasing US purchases of Finnish products.

B. It concluded that this approach could not possibly yield results commensurate with the size and seriousness of the problem.

C. US purchase of all Finnish exports to the orbit currently totalling \$200 million is unfeasible because of Finnish sensitivity to its powerful neighbor.

VII. Loss of Finland to the USSR through economic absorption would shock US public and adversely affect Western position in Scandinavia.